



NABTRADE WEBINAR

GOING GLOBAL

GEMMA DALE – MODERATOR

1 APRIL 2019

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AGENDA



GEMMA DALE (MODERATOR)

Director
SMSF and Investor Behaviour,
nabtrade



ALVA DEVOY

Managing Director, Australia
Fidelity International



KAREN TRAU

Manager, Investment Products
ASX

Opening remarks and what we'll discuss



45 minutes

- Reasons to consider investing internationally and the associated risks
- Sectors and themes you can access, such as global brands, technology and emerging markets
- Direct and diversified trading options through ASX and nabtrade
- International shares popular among nabtrade customers

Q&A and closing remarks



15 minutes

- **Don't forget, you can submit questions at any time**
- **You can also download the presentation**

Investing in global equities

April 2019

Alva Devoy
Managing Director, Australia

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Think of the everyday...

Australians consume global brands but don't always invest in them

Australia's top imports by value (2018)

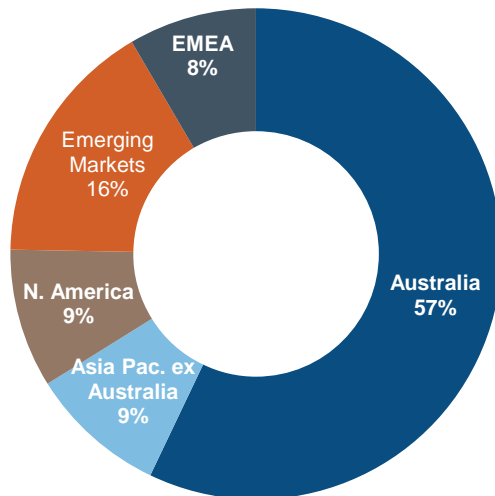
Rank	Australian Import Product	Global Players		2018 Value (US\$)	Change
1	Processed petroleum oils			\$18.9 billion	+28.5%
2	Cars			\$16.8 billion	-4%
3	Crude oil			\$10.2 billion	+41.3%
4	Phone system devices including smartphones			\$8.5 billion	+7.7%
5	Trucks			\$7.5 billion	+15.3%
6	Computers, optical readers			\$7.2 billion	+14.4%
7	Medication mixes in dosage			\$5.3 billion	-1.6%
8	Gold (unwrought)			\$4.6 billion	+7.4%
9	Electro-medical equipment (e.g. x-rays)			\$2.4 billion	+10.4%
10	Blood fractions (including antisera)			\$2.3 billion	+17.5%

Source: Fidelity International, Australian Bureau of Statistics, World's Top Exports Website, February 2019. Third party trademark, copyright and other intellectual property rights are, and remain, the property of their respective owners. Reference to specific securities should not be construed as a recommendation to buy or sell these securities and is included for the purposes of illustration only.

Local indices too reliant on the domestic economy

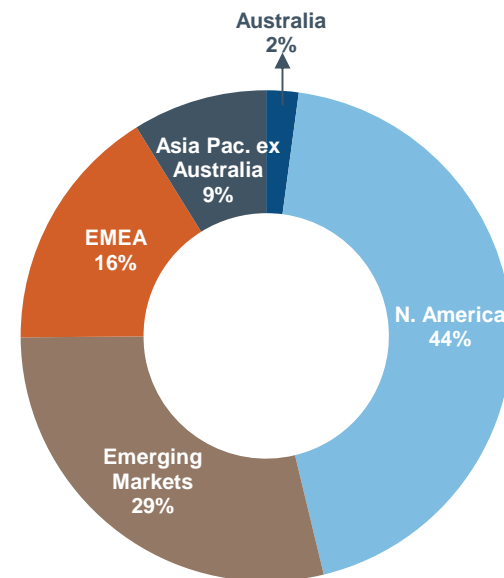
S&P ASX 200 Index is domestically focused in terms of revenue exposure

S&P ASX 200 (Australia) – Revenue Exposure



Broad exposure to economies, including several that are not well represented in the Australian market

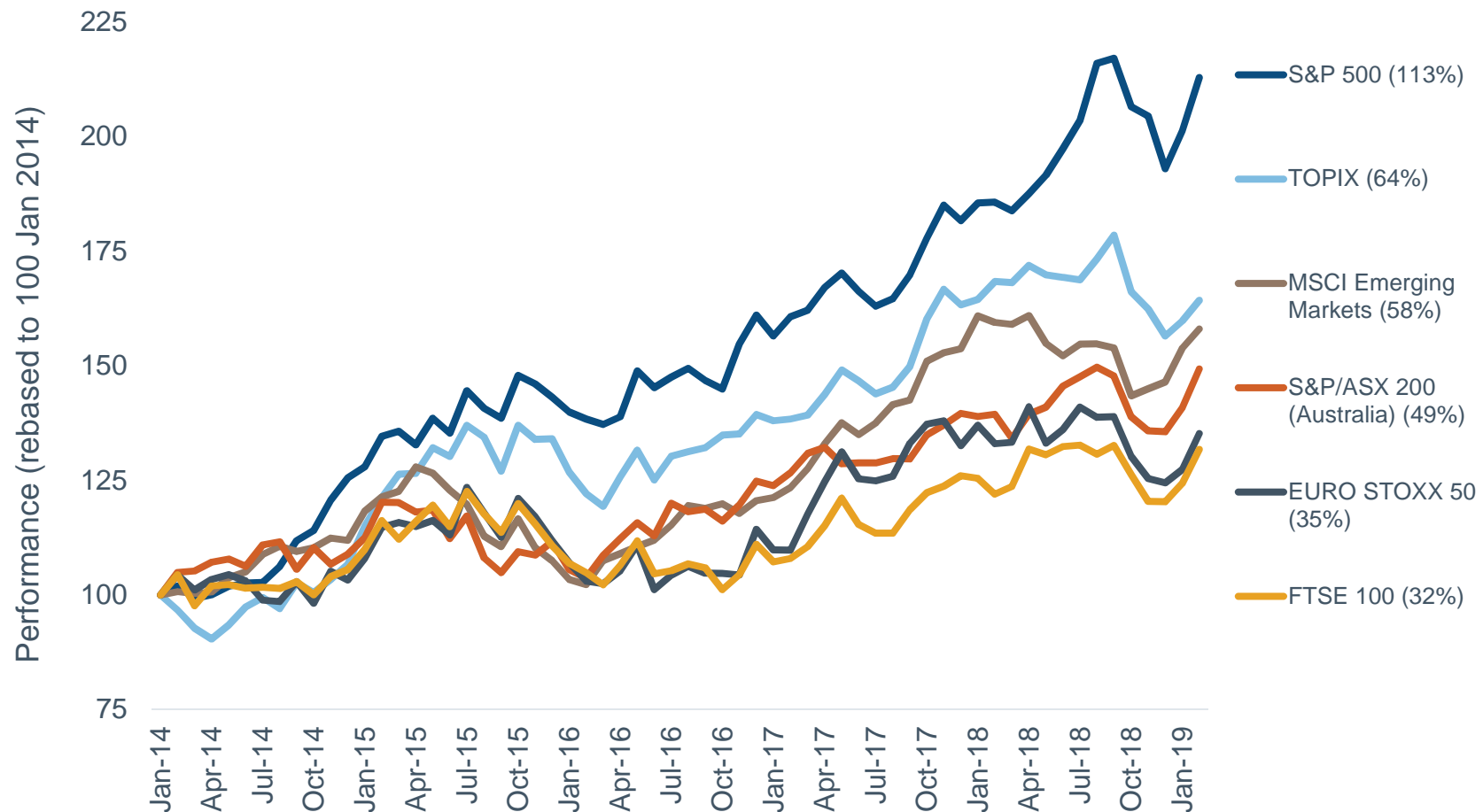
MSCI AC World (Global) – Revenue Exposure



Awareness is a pre-requisite of successfully managing both the risks and opportunities

Source: Fidelity International, Factset, MSCI Australia, Fidelity International, 28 February 2019.

US was the winner of the last five years: What comes next?



Source: Fidelity International, Thomson Reuters DataStream, 28 February 2019.

So how do we approach global equity investing?

By using the toolkit to find uncorrelated stocks

Industry analysis



- Global rather than local

Strong management



- Meet CEO, CFO & the Chief Technology Officer

Valuations



- Focus on cashflows and returns

Iterative search for compounders at reasonable valuations

Source: Fidelity International, March 2019.

Management teams are crucial in both the short term & longer term

Short Term View

- We are in late cycle, and cycle concerns remain
- If you are investing with a 3 year time horizon, it is likely that a recession will be within your time horizon
- Quality management teams with proven track record help you navigate the rough waters

Long Term View

- Disruption continues to impact global value chain
- Management focus and long-term capital allocation decisions / incentive structures are important
- Invest in long term winners and growth compounders

Source: Fidelity International.

Evaluating management by sector

Sector	Key topic(s)
Oil & gas	Safety & Resource Replacement
Technology	Innovation & Disruption
Financials	Regulatory Management & Trust
Health care	Safety & Resource Replacement (M&A, Innovation)
Automobiles	Autonomous / Electric Vehicles / Car Sharing

Source: Fidelity International.

Follow the manager

Successful managers transcend companies



**Warren East,
(CEO, Rolls Royce)**

“I am going to be working with the team to add pace and simplicity into what we're doing.”

Company	Tenure Date	Ann. Return %
Rolls Royce (CEO)	Feb 15 – Present	1.7%
ARM Holdings (CEO)	Oct 01 – July 13	12.4%



**Jan Jenisch,
(CEO, LafargeHolcim)**

“I want to develop a true global blue-chip company, not only with leading margins, but also with a growth profile”

Company	Tenure Date	Ann. Return %
LafargeHolcim (CEO)	Sept 17 – Present	-8.3%
SIKA (CEO)	Jan 12 – July 17	27.4%



**Larry Culp,
(CEO, General Electric)**

*“Be quick, but don't hurry”
– Dec 18, Culp on asset sales at GE, quoting John Wooden, the famous basketball coach*

Company	Tenure Date	Ann. Return %
General Electric (CEO)	Sept 18 – Present	-24.1%
Danaher (CEO)	Jan 00 – Sept 14	13.8%

Source: Fidelity International, Bloomberg, 8 March 2019. Annualised total returns for the above managers have been shown at respective companies. Reference to specific securities should not be construed as a recommendation to buy or sell these securities and is included for the purposes of illustration only.

Always with an eye towards the future

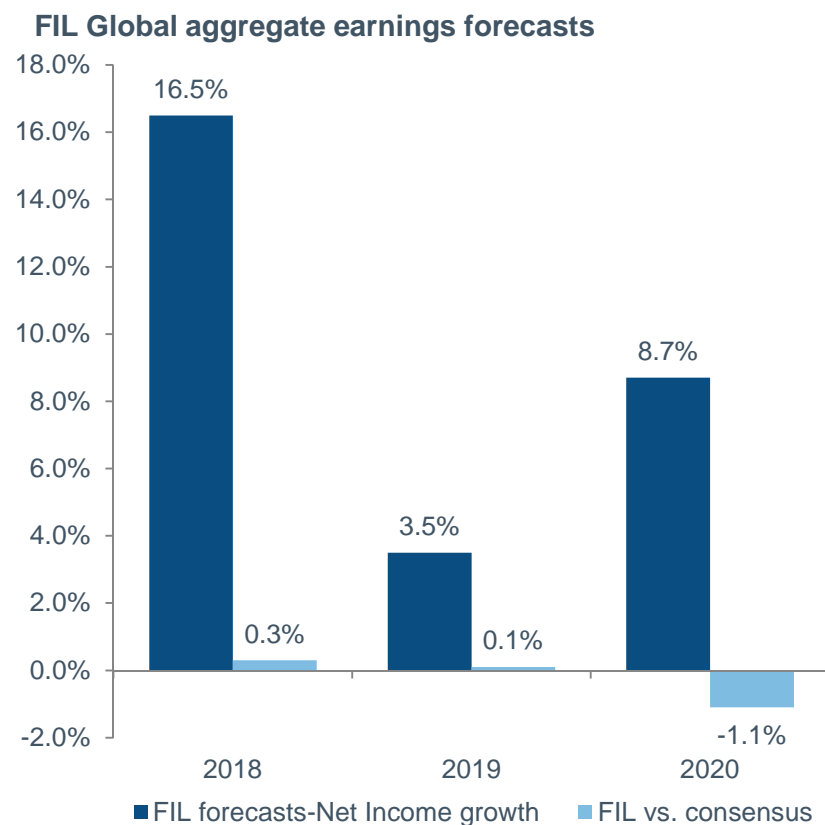
“If one is mentally out of breath all the time from dealing with the present, there is no energy left for imagining the future.” – Elise Boulding

Source: Fidelity International.

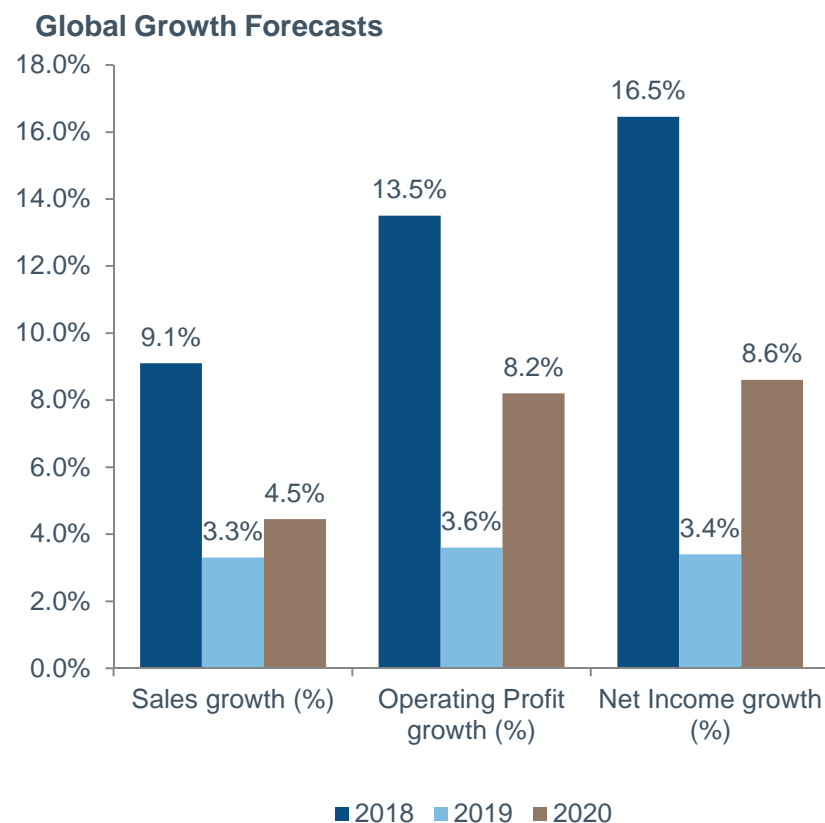
Fidelity research: Big picture outlook

Where do we differ?

Growth % and vs. Consensus



Sales, Op Profit, and Net Income Growth



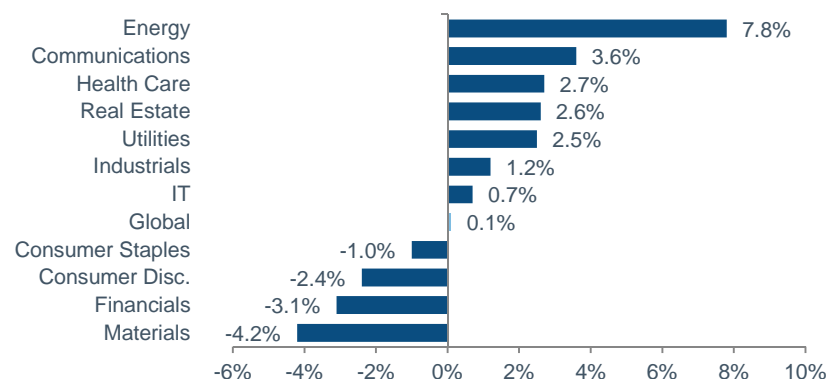
Source: Fidelity International, Equity Research Outlook, March 2019. Actual events may differ from those assumed.

Fidelity Research: Global sector & regional views

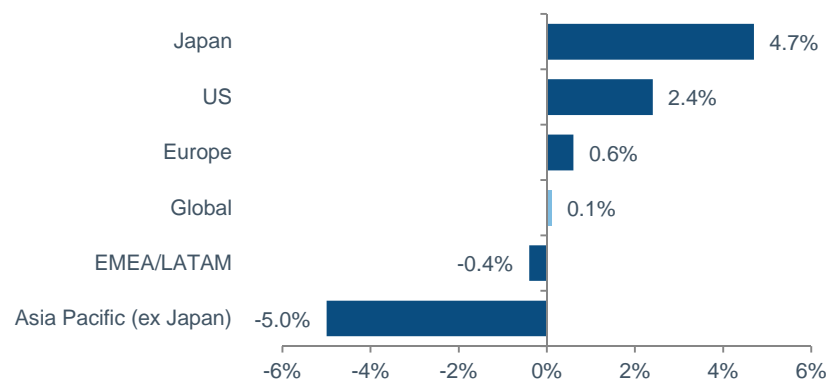
Where do we differ?

Vs. Consensus

FIL vs consensus earnings forecasts by sector (2019)

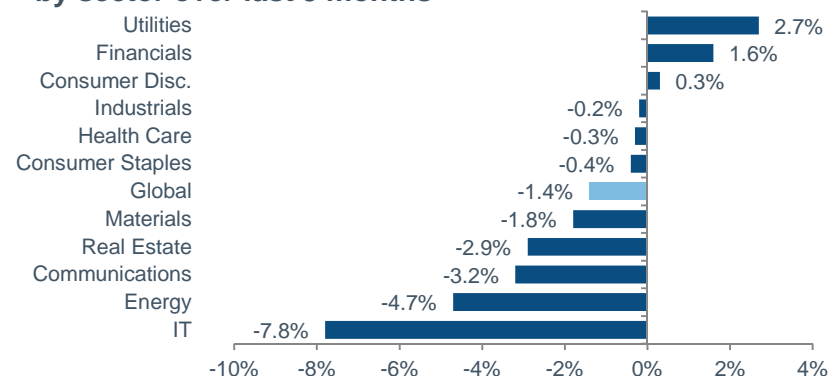


FIL vs consensus earnings forecasts by region (2019)

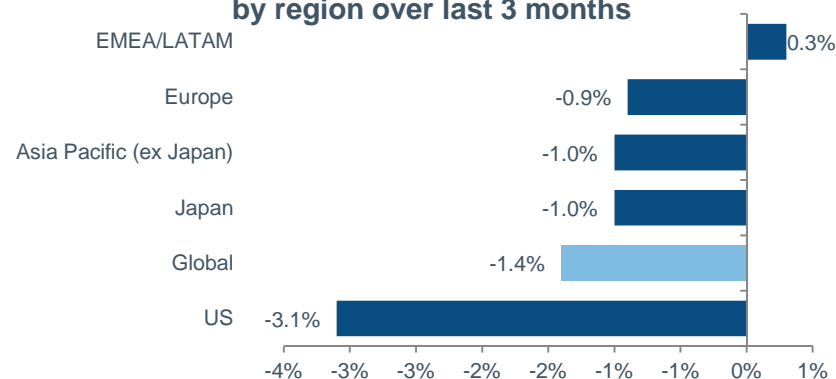


Revisions, 3 months

Change in analyst's forecast (Earnings growth for 2019) by sector over last 3 months



Change in analyst's forecast (Earnings growth for 2019) by region over last 3 months

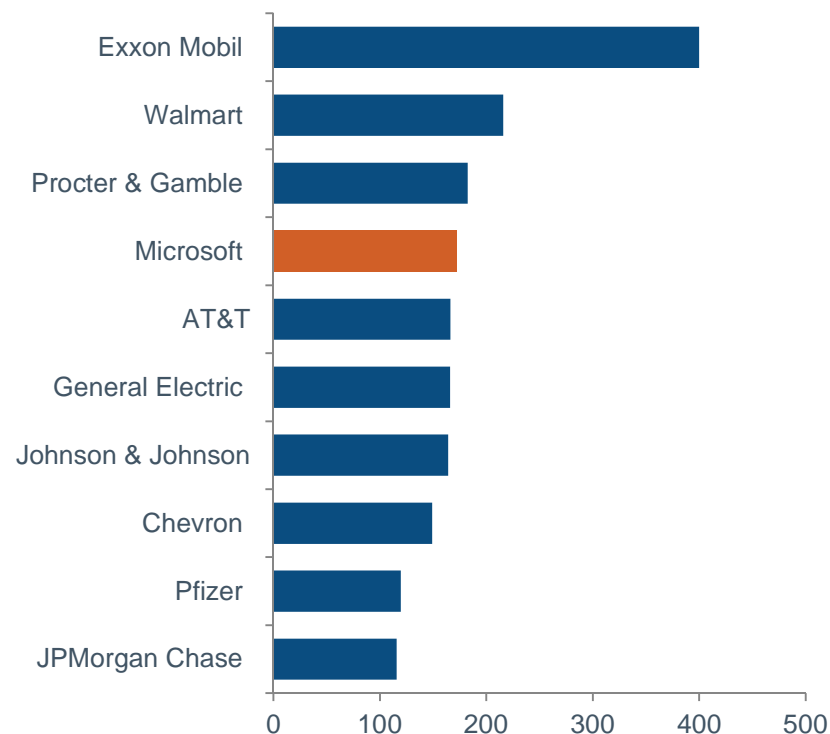


Source: Fidelity International, Equity Research Outlook, March 2019. Actual events may differ from those assumed.

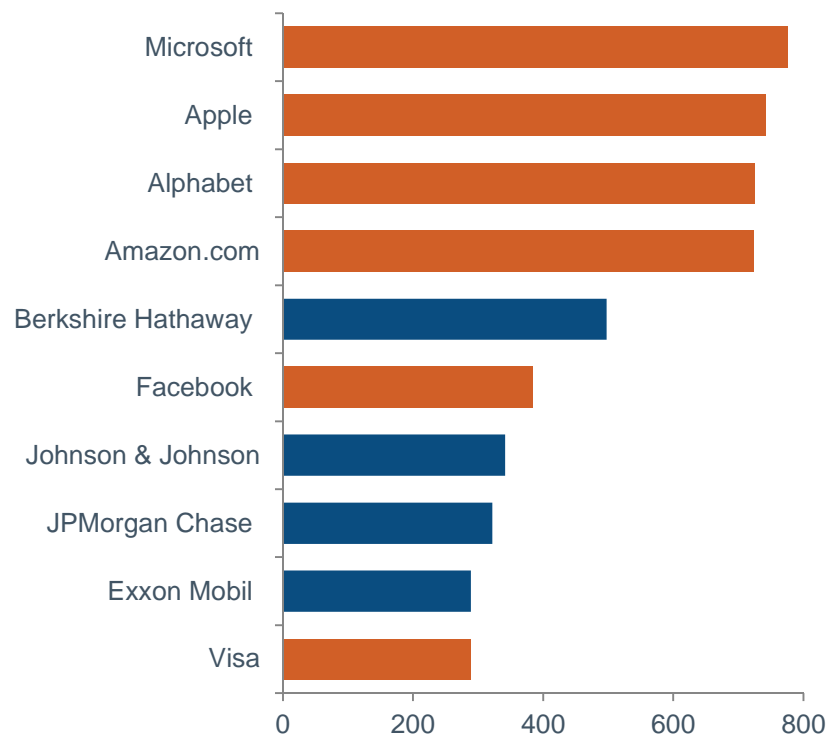
And what of Vision 2029?

Avoid the companies that fade out

**Q4 2008: Largest cos by market cap
(in US\$ Bns.)**



**Q4 2018: Largest cos by market cap
(in US\$ Bns.)**



Reference to specific securities should not be construed as a recommendation to buy or sell these securities and is included for the purposes of illustration only.

Source: Fidelity International, 31 December 2018. Largest companies in the S&P 500 Index by market capitalisation. The tech related companies for the two time periods have been highlighted.

And find the ones likely to make it big?

Market Leaders in 2029: An Interesting Thought Experiment

Companies we know today	Start-ups / others where sector thesis is clear, but ultimate winner unclear	Moonshots	Companies which won't be around (with high probability)
Unique products, sustainable pricing power	Clear sector thesis with enormous potential	Ambitious projects which will go on to become independent companies	Threat from competitors and complimentary products
<ul style="list-style-type: none"> ▪ Amazon (breakup) ▪ Alphabet (breakup) ▪ Microsoft (breakup) ▪ A pharmaceutical major (commercialising personalized medicine) ▪ Health care service provider ▪ Energy company (Unknown Green Energy player) ▪ Financial service provider (Mega cap Banks or Payment service providers) 	<ul style="list-style-type: none"> ▪ Self-driving car (Waymo?) ▪ A space exploration company (SpaceX) ▪ Food innovation 	<ul style="list-style-type: none"> ▪ An AI start-up - meeting an unmet need ▪ Robotics ▪ Quantum Computing 	<ul style="list-style-type: none"> ▪ Apple (unless it makes aggressive acquisitions of some moonshots) ▪ FAANGs in current form ▪ Berkshire Hathaway (de-rating likely post Buffett / Munger)

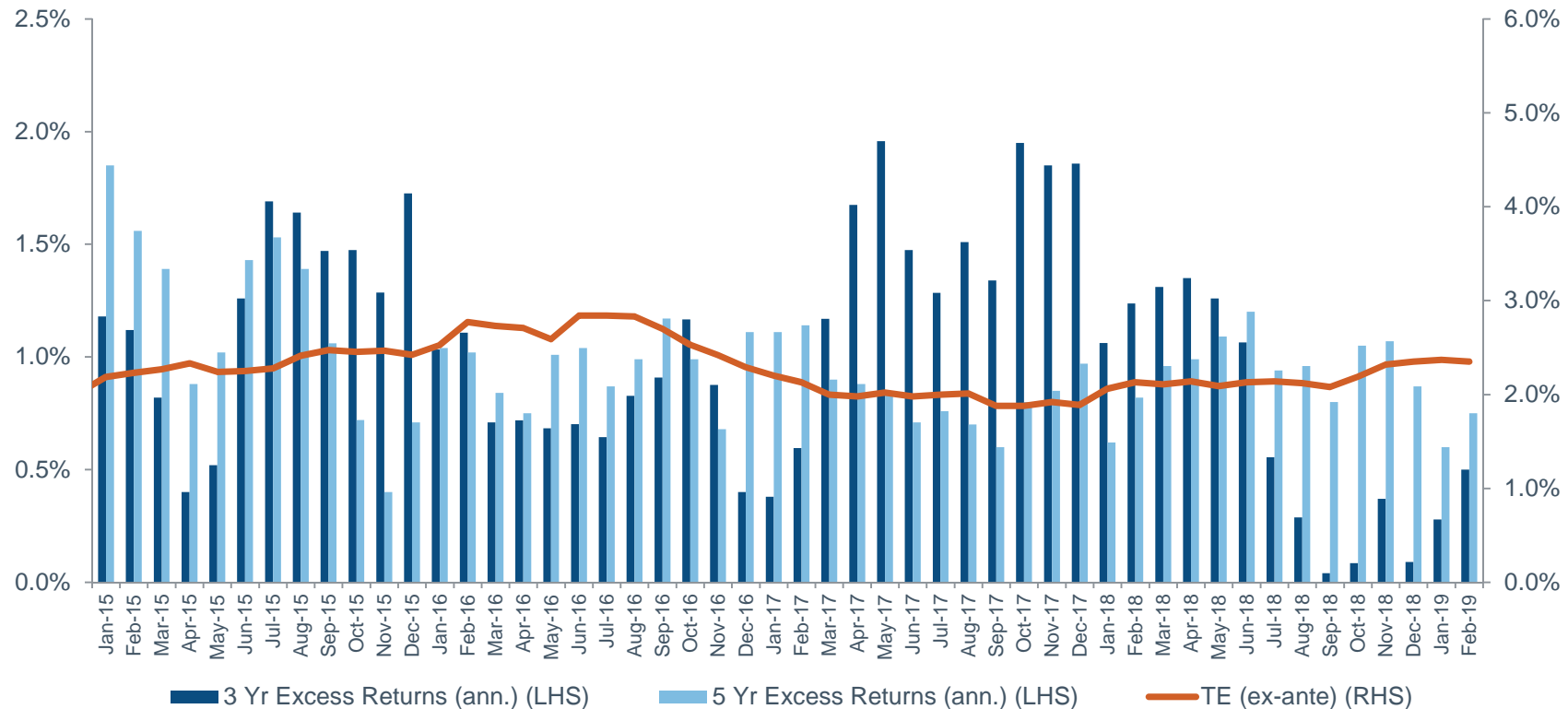
Reference to specific securities should not be construed as a recommendation to buy or sell these securities and is included for the purposes of illustration only.

Source: Fidelity International. **Actual events may differ from those assumed.**

Outcomes: Strong risk-adjusted returns through the cycle

Fidelity Global Equities: A portfolio focused on compounders

Rolling three year / five year relative performance (ann.) and tracking error

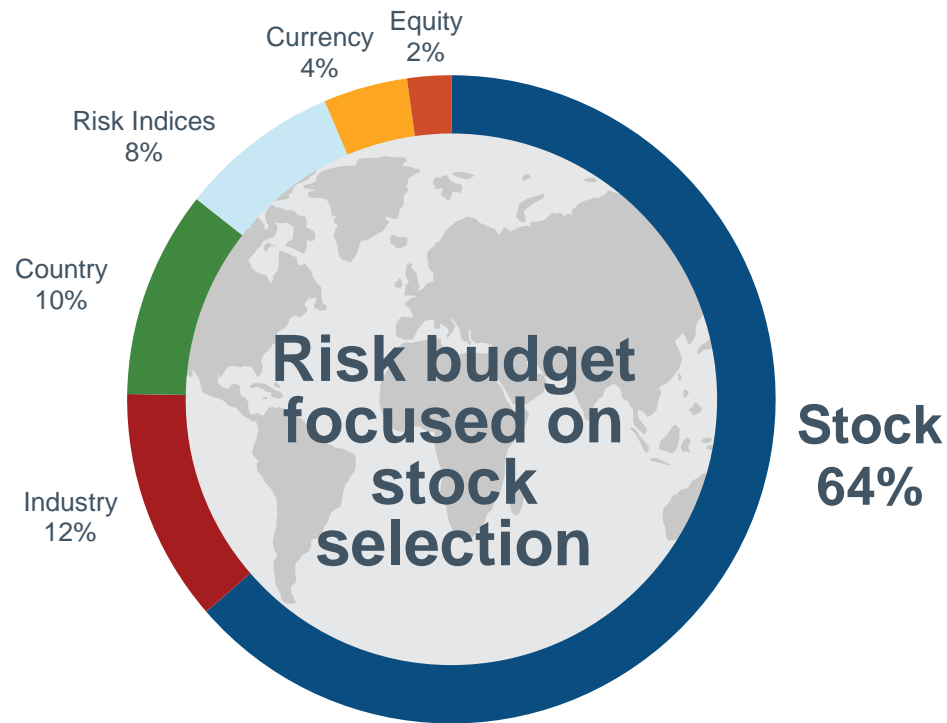


Past performance is not a reliable indicator of future results. Returns may increase or decrease as a result of currency fluctuations.

Source: Fidelity International, 28 February 2019. Performance shown in AUD, net of fees for Fidelity Global Equities Fund. Benchmark: MSCI All Country World (N) Index. Tracking error shown is ex ante.

Outcomes: A portfolio driven by stock-specific risk

Delivering alpha with a macro-agnostic approach



Source: Fidelity International, 28 February 2019. Data represents the Fidelity Global Equities fund. Comparative Index: MSCI All Country World Index (N). The data is purely representative and holdings in the fund may vary. Holdings will vary from the index quoted. For this reason, the comparative index is used for reference only.



Accessing global equities on ASX

Presentation by Karen Trau

April 2019

Important Information

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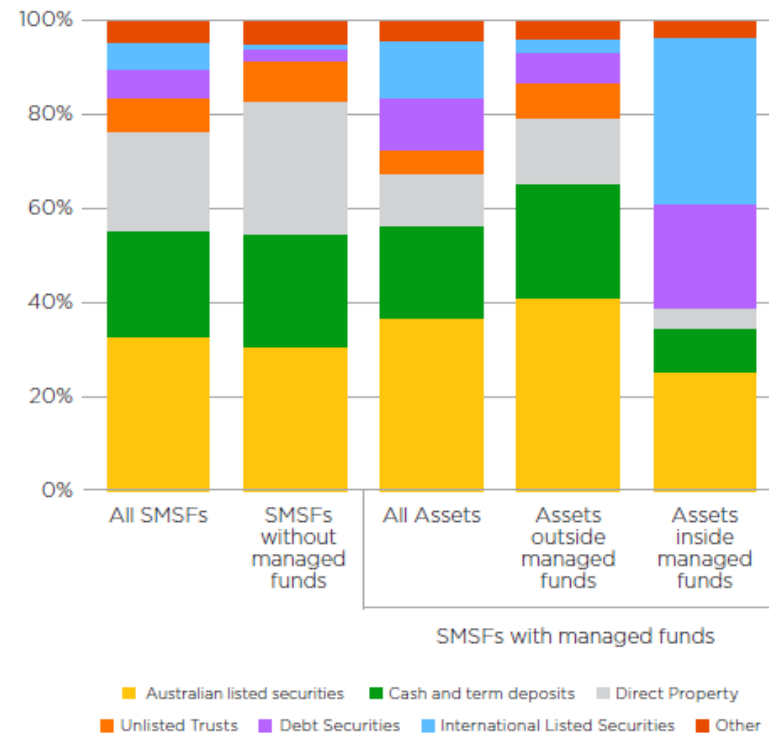
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SMSFs underweight in global equities

- > Across all SMSFs, only approximately 5% of portfolios are allocated towards international equities
- > SMSFs that hold managed funds have a higher allocation towards international equities
- > However ...
- > Diversification is not well understood with a strong bias towards Australian equities and cash deposits

How SMSFs invest differently with or without managed fund holdings



Source: Class Benchmark report – December 2018

ASX Investment Product offers multiple methods to access global equities

Investment Products

Exchange Traded Products

Listed Investment Companies and Trusts

mFund



- > Name on title
- > All investments in one place
- > Transparency and Settlement Certainty
- > Efficient and cost effective

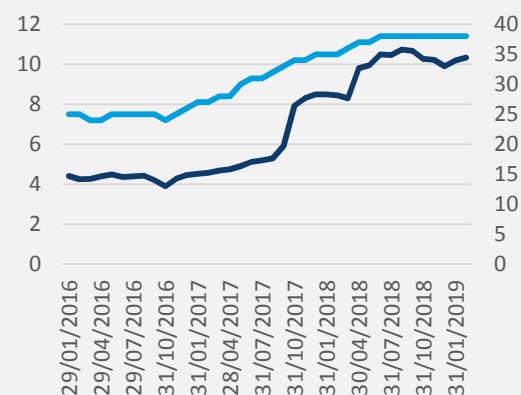
Investments in global equities across all ASX Investment Product Types

LICs and LITs

\$10.9bn Market Capitalisation

↑ 29% year on year

39 funds

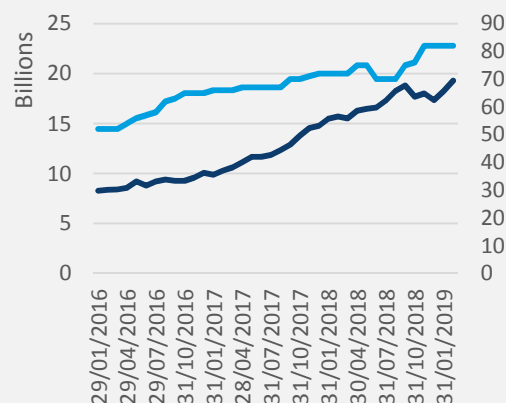


Exchange Traded Products

\$19.2bn Market Capitalisation

↑ 22% year on year

83 funds

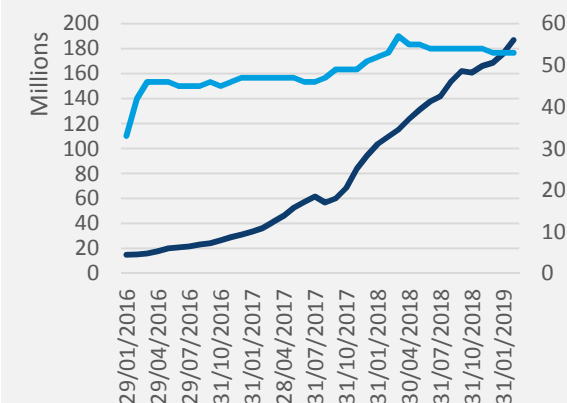


mFund

\$188.7m Funds under management

↑ 72% year on year











59 funds



Source: ASX Investment Products Report – Feb 19

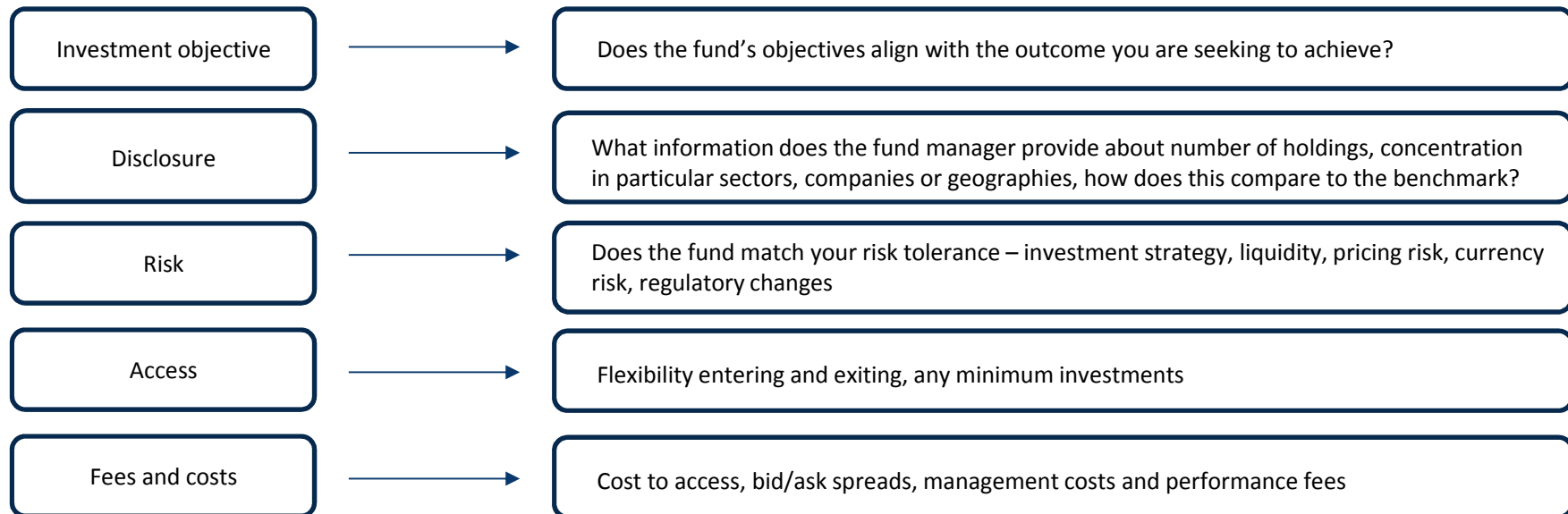
ASX Investment Products provides diverse exposure to global equity stocks

Developed and emerging markets, broad-based or factor-based and thematic exposures

















 <p>MGG Global Trust</p>	 <p>EMKT Multifactor Emerging Markets Equity ETF</p>	 <p>FIL15 India Fund</p>	 <p>VMIN Global Minimum Volatility Active ETF</p>	 <p>HYN04 Global Growth Fund</p>
 <p>ROBO Global Robotics and Automation ETF</p>	 <p>IXJ iShares S&P Global Healthcare ETF</p>	 <p>LSF Long Short Fund</p>	 <p>LOF01 Global Disruption Fund</p>	 <p>ETHI Global sustainability Leaders ETF</p>

Key considerations: know what you own

Seek professional advice



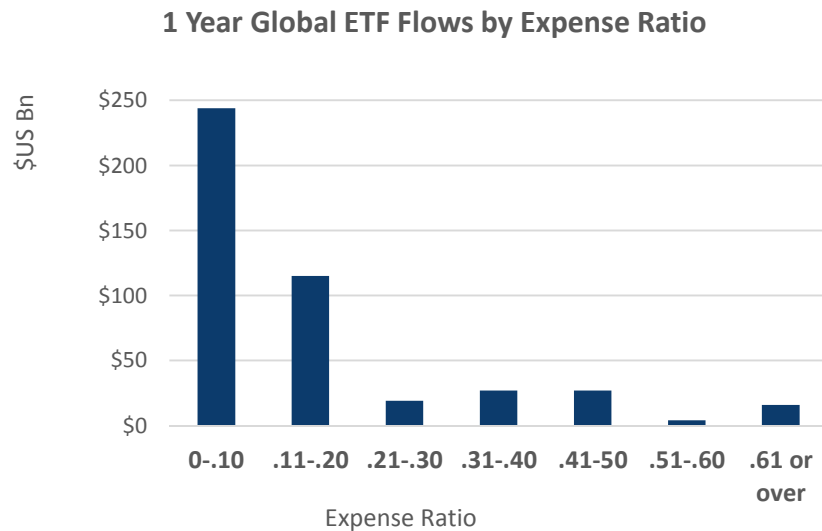
Comparison of fund structures on the ASX

Listed Investment Company	Listed Investment Trust	mFund	ETMF/"Active ETF"	Traditional ETF
 Company	 Trust			
 After 30% tax	 Full pass through – taxed at Investor's Marginal Tax Rate			
 Closed end			 Open end	
 Secondary Market	 Primary Market		 Secondary Market	
 Monthly NTA	 Quarterly NAV		 Intra day iNAV	
 Active				 Passive
 Can hold a variety of assets including cash				 Holds the index

Recent trends in ASX Investment Products

Fee Compression

ETFs that offer exposure at a minimal MER are experiencing greater flows than their high-cost counterparts. This has also led a resurgence in ETF inflows since 2016



Product Differentiation

Increasingly niche products and hard to access asset classes or strategies designed to differentiate based upon factors other than MER. Examples include:



Geographic



Asset Class



Sector Specific



Outcome or strategy focused



Alternatives



ASX Investment Products

AUSTRALIA'S HOME OF LISTED INVESTMENTS

Listed Managed Investments, mFunds and ETPs



Investment Product Summary - February 2019

Transaction days: 20 / Period ending: Thursday, 7 February 2019



ASX Fund Segment

ETPs

mFund

LICs

Market Capitalisation	\$44.45 bn	\$838.78 m	\$42.06 bn
Number Listed	191	210	114
Transactions/Day	5,067	83	3,626
g. Daily Volume	6,465,395	1,321,910	15,337,750
g. Daily Value	\$153,703,265	\$1,818,717	\$27,117,691

ASX Funds Market Capitalisation



Recent Admissions

Product Name	ASX Code	Product Type
Realm High Income Fund - Mfund Units	RLM03	mFund
Alexander Fixed Income Fund	AAF01	mFund

ASX Investment Products Report

Email investmentproducts@asx.com.au





GOING GLOBAL

INTERNATIONAL EQUITIES ON NABTRADE

GEMMA DALE – MODERATOR

1 APRIL 2019

Information in this presentation is current as at 24 July 2018

IMPORTANT INFORMATION



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STRATEGIES TO PLAY THESE THEMES



**1. EXCHANGE
TRADED
FUNDS**

**2. PROFESSIONALLY
MANAGED
PORTFOLIOS**



Sectors

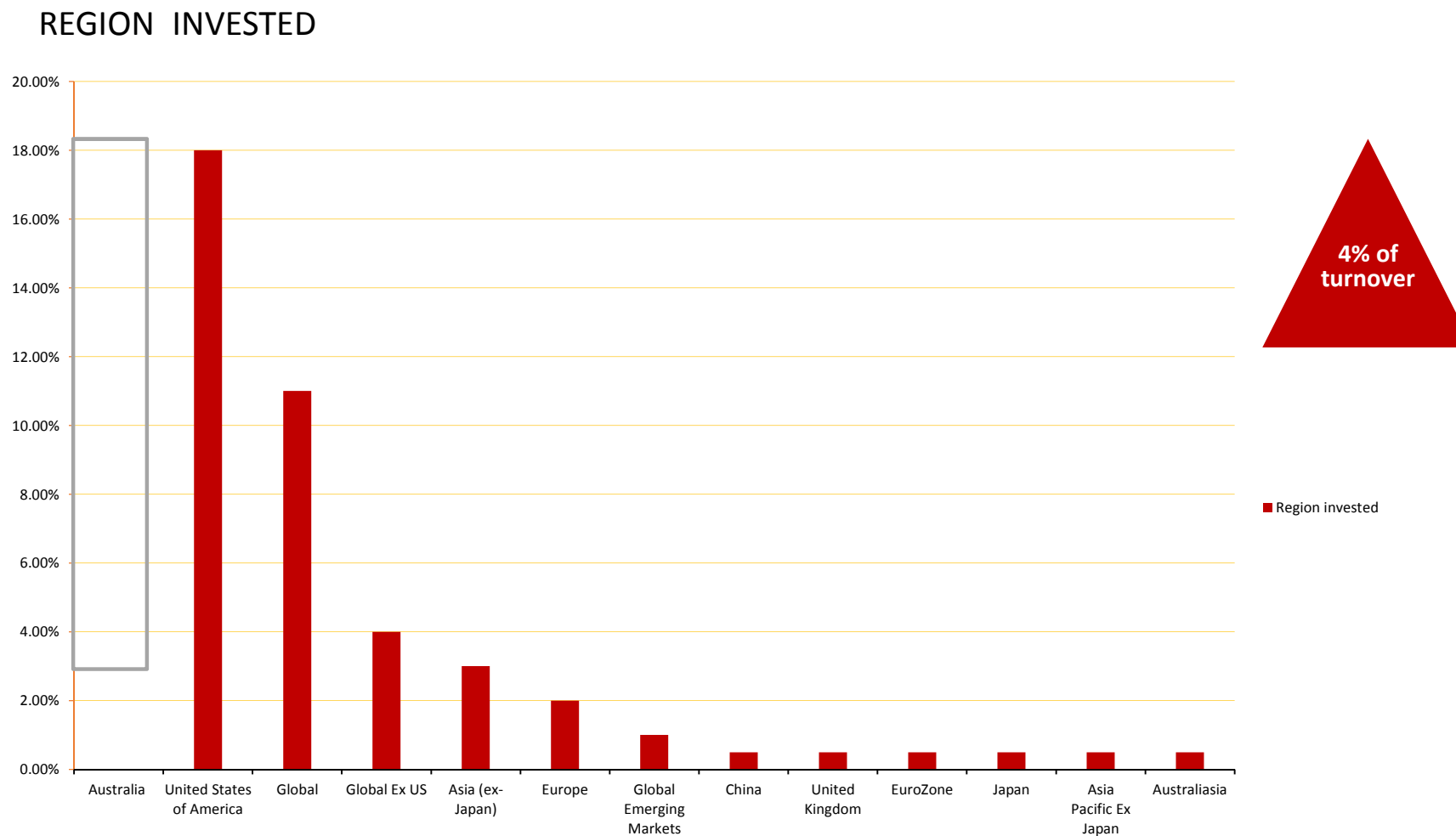


Geography



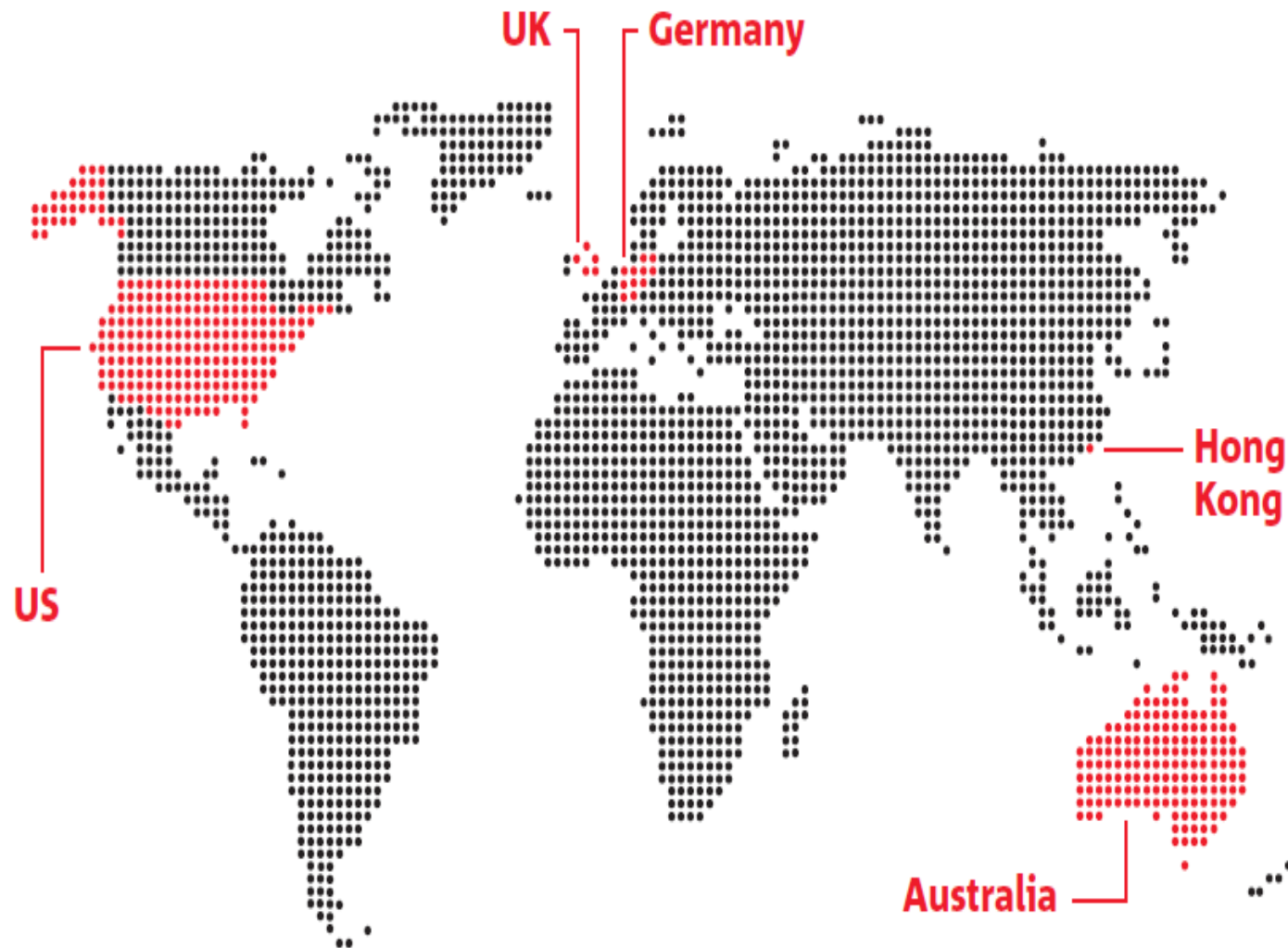
Stock picking

WHAT ABOUT ETFS?



Source: nabtrade data (as at October 2018)

GOING DIRECT



SEARCHING FOR GROWTH?



DISRUPTION



Tech giants (US: FAANG, MAGA)



Asian tech giants (STAT, BAT)

DEMOGRAPHIC TRENDS



China



India

DIRECT INTERNATIONAL EQUITIES

nabtrade International Markets & Pricing

INTERNATIONAL SHARES

Fee type	Trade size	Brokerage (inc. GST)
Online trading	Up to \$5,000	\$14.95
	\$5,000.01 - \$20,000.00	\$19.95
	Over \$20,000.01	0.11% of trade value
	Over the phone	\$59.95 or 0.55% of trade value (whichever is greater)
Custody	No trades per year	0.50% of average daily international holding balance, payable monthly
	1+ trade per year	Free
Exchange rate		
All currencies	International trades will incur a foreign exchange conversion spread of between 0.50% to 0.80% of the trade transaction value.	
	Buy orders will also incur an additional 1.5% buffer from the time of order placement as a protection against currency movements. Any excess buffer will be unlocked on order execution.	

ADDITIONAL FEES APPLICABLE FOR TRADING ON INTERNATIONAL STOCKS

In addition to brokerage the following fees also apply to international trades:

Exchange	Fees and Charges
Germany - Xetra	None
Hong Kong - Stock Exchange of Hong Kong (SEHK)	0.0027% - Transaction Levy 0.005% - Trading Fee 0.1% - Stamp Duty
UK - London Stock Exchange	Stamp duty of 0.5% may apply to buy trades*
US - NYSE, ARCA, AMEX & NASDAQ	SEC fee for sell trades 0.00184%

Important: these fees may change from time to time. All fees will be detailed on the order pad when you place an international order and on your confirmations following order execution.

**May be subject to additional local exchange fees.*

DIRECT INTERNATIONAL EQUITIES

Important things to note with nabtrade International

- Trading hours and public holidays are determined by each market. Orders placed outside of international market open hours will be queued until the relevant market opens, at which point they will be released into the market.
- Tax information may need to be declared to the Australian Tax Office for any foreign sourced income. Tax rates may also apply in the country of origin. (NAB is not a registered tax agent. We recommend you seek independent financial advice from your financial adviser or registered tax agent). For more information about tax, visit Global Tax.
- To trade international shares, all account holders must be Australian residents for tax purposes and not foreign residents for tax purposes. All account holders must reside in Australia with both residential and mailing addresses for all accounts being in Australia. Company, organisations and trusts must be registered in Australia. Please refer to Global Tax for full eligibility criteria.
- Investing through the nabtrade Global Market Trading service is not the same as investing directly. The nabtrade Global Market Trading service is an international share trading, nominee and custody service. Although you'll be the beneficial owner of the relevant International Securities, the legal interest is held by the Custodian or Sub-Custodians and they will receive all communications regarding your investments on your behalf, including notification of shareholder meetings, upcoming corporate events and dividend information.

WHAT ARE THE ELIGIBILITY CRITERIA FOR INTERNATIONAL TRADING?

To be eligible to transact on international markets you will need to meet the following eligibility criteria:

- All account holders and associated parties including trustees, beneficiaries, directors and controlling persons must be Australian residents for tax purposes and cannot be a resident for tax purposes of any other country.
- All account holders must reside in Australia with both residential and mailing addresses for all accounts being in Australia
- All individual and joint applicants must provide their current Australian Passport or Australian Driver's Licence
- Company, organisations and trusts must be registered in Australia and lodge a US Withholding Tax Treaty Statement
- Account holders must provide Tax File Numbers or exemption codes, along with ABNs (if applicable).

WHAT SAVVY INVESTORS ARE BUYING – BY TRADE SIZE

Tencent 腾讯



amazon



BERKSHIRE
HATHAWAY INC.

NETFLIX

Baidu 百度

facebook



nabtrade

QUESTIONS?



Make a trade

\$14.95 for trades up to \$5,000 for domestic and international securities (including FX):



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